GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:4102
ANSWERED ON:18.04.2002
COST INCURRED IN PRODUCTION AND IMPORT OF CRUDE
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) Whether the cost incurred in production, import, transportation, excise and customs duties etc. on crude, operating expenditure of refineries and marketing companies assured post tax return on capital employed to oil producing refining and marketing oil companies etc. were paid from oil pool;

(b) if so, whether the cost was passed on in full to consumers as oil pool was self balancing; and

(c) if so, the specific reasons that oil companies or the Government have been facing deficit in this regards?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS AND MINISTER OF STATE IN THE MINIS PARLIAMENTARY AFFAIRS (SHRI SANTOSH KUMAR GANGWAR).

(a): The oil refineries were under the administered pricing mechanism (APM) upto 31/03/98 and the oil marketing companies were under APM upto 31/3/2002. During the period the oil refineries/oil marketing companies were under APM, they were compensated operating cost and return at 12% post tax on networth (from 01-04-1984 onwards).

The indigenous PSU crude oil producers were under APM upto 31/3/98 during which the well ahead price of crude oil paid to them was the weighted average of cost of production of ONGC and OIL plus 15% return net of tax on capital employed (from 16.09.92 onwards).

(b): Consumer prices of certain products like kerosene for public distribution and domestic LPG were fixed at levels lower thanthe cost/import parity price.

(c): The following major factors inter-alia affected the position of the Oil Pool Account during the APM:

i) Fluctuation in the international prices of crude oil and controlled petroleum products;
ii) Foreign exchange variation;
iii) Domestic prices of controlled petroleum products; and
iv) Demand of controlled petroleum products.